

Our Philosophy: (use market orders for entry when initiating trades in a trending market, if you are doing larger size put on trade in two units, scale out in two units, if you do a single contract, exit on our first exit). Don't over-trade, only need one trade a day in the SPs, must have patience to wait for high probability trade.

Must trade only when there is liquidity. What defines liquidity? A ten-lot market order in the SP should not have slippage of more than $\frac{1}{2}$ point. We have to see potential for 3 points in a trade, We assume there will be a minimum of $\frac{1}{2}$ point slippage in and $\frac{1}{2}$ point slippage out. For short skirt scalps, risk should be three points. The longer you are in a market, the more risk you have. If you have a quick profit, lock is in by moving your stop up.

Even if you don't trade every day, it is never a waste because you learn the patterns and are constantly training your eye. If you don't see the trade don't take it. We are trying to teach you to see these things for yourself. If you don't know what to do with a position you shouldn't be in it. When in doubt get out. Execution skills count for half the profits, but this is an area that can only improve with experience and practice.

Q.What is a "Short Skirt" setup?

A SHORT SKIRT trade is a very quick scalp off the 1-minute chart in the SPs. A setup will occur after the SP has made a sharp "impulse" move. The setup pattern most often looks like a continuation flag, following this sharp initial thrust. It is called a "Short Skirt" because the trade usually lasts between 3 – 10 minutes. The concept is quick in and out without getting caught.

We can point out ahead of time when a Short Skirt setup will occur. However, you will be most profitable if you can start to train your eye to see these patterns as they occur. You will then do

best if you decide to enter them on your own instead of waiting for us to say we are taking the trade. Sometimes the window of entry can be quite small, and if you wait until we say we have

entered the position, the entry window might have passed. Know how much of a delay there is in your own data feed. Some feeds can get a bit backed up in the first half-hour.

We try to look for Short Skirt setups that have the potential for a minimum of three points in the trade.

We always assume that we will have at LEAST a minimum of $\frac{1}{2}$ point slippage in and $\frac{1}{2}$ point slippage out. We put a resting STOP order 3 points from our entry price. We look to exit as the

market makes a retest in the direction of the trend. The majority of the time the market will go on to make a new high or low. When it does so, we say that the Short Skirt has reached it's objective.

Q.How do you enter a "Short Skirt" trade?

We watch for a price retracement of $1\frac{1}{2}$ to 3 points from the most recently formed swing high or low. For an untrained eye, it may be useful to watch the 20-period exponential moving average

on a 1-minute chart, though the price does not always retrace that far. Sometimes the reactions that go sideways instead of back to the EMA can be the best trades. The initial price

retracement lasts about 5 minutes. When the reaction back starts to stall, we enter our order "at the market". It is ideal to enter

the trade BEFORE the price starts moving back in the direction of the original trend. You are never going to get the high or the low of the price retracement. The idea is to enter within a general range where the initial 3-point stop will not get hit.

Q.What is a "Grail" trade?

The "Holy Grail" trade was originally described in my Street Smarts book. The setup occurs when the market's trend has been strong enough to cause a 14-period ADX to rise above 30. When the price then retraces back to the 20-period EMA, odds favor a retest of the most recently formed high or low.

Q.What is an "Oops" buy or sell?

"Oops" is an expression originally coined by Larry Williams. The setup occurs when the opening price gaps outside the previous day's range. A buy (or sell) stop is placed just inside the previous day's range in case the market then closes the gap, indicating a reversal. The trade is exited by the close. This pattern has no long term forecasting value.

Q.What is an "Anti" setup?

The Anti looks like a small bull or bear flag pattern that occurs in the middle of a trading range as opposed to a trending market which has already broken out. Another way of thinking about it is to look at it as the middle retracement of an A-B-C pattern.

Q.What time frames do you look at?

Our initial nightly analysis is always done off the daily and weekly time frames. During the trading day, we look at the 30, 60 and 120 minute charts in combination with each other. For the SP's, we also look at a 1, 5, and 15 minute time frame.

Q.What are the main indicators that you use on your charts?

We use the same indicators on all markets, all time frames. We use a 20-period EMA (exponential moving average), a price oscillator, and a 14-period ADX. The oscillator that we use is the difference between a 3 and 10 period simple moving average. We also run a 16-period simple moving average of the 3/10 on top of it. We rely quite heavily on bar chart patterns, and have found that most traders do best when they can read bar charts without the use of indicators based on a derivative of the price.

Q.What is the 20-period EMA?

When we refer to the EMA, we will always be referring to a 20-period exponential moving average. This serves as a "regression to the mean" in a trending market. It has little value in a trading range market.

Q.What is the "Breakout mode"?

We use a "breakout" mode strategy when the market has had some form of range contraction. A trend day, or large range expansion day, often follows periods of range contraction, or small average daily ranges. We use strategies to try to enter IN the direction the market is moving, instead of a counter-trend trading strategy.

Q.What data feed and software programs do you use?

We use SP Comstock (800-431-2602) and Futures Source (800-678-6333) data feeds. We get one by satellite and one by cable. We run 3 software programs: Aspen Graphics (800-359-1121), Omega TradeStation (800-422-8587), and Insight by Bristol Financial (949-240-0990). (Insight specializes in analytics on equities and is used by many stock day-traders.)

We do not have any commercial or monetary affiliation with any vendor or software product.

Q.Please define TICK, TIKI, TRIN, VIX.

TICK: The net change of stocks on an uptick minus stocks on a downtick. +/- 1,000 ticks tends to be an extreme reading.

TIKI: The difference between all the DOW stocks on an uptick minus all the DOW stocks on a downtick. Plus 24 or minus 24 tend to be an extreme readings.

TRIN: This should technically be known as the ARMS index after its creator, Dick Arms. It is computed as follows: Advancing Issues/Declining Issues x up volume/down volume. We watch the direction this index is moving to indicate the overall trend of the market. If the Trin goes from .80 to 1.00, it would indicate that selling is coming into the market.

VIX: This is a Volatility Index that represent the implied premium level on the at the money OEX puts and calls.

Most data feeds transmit the above indicators. However, different data feeds may use different symbols. If you have any questions regarding symbol code, please contact your data vendor.

Q.How do you measure market breadth, put call ratios, and volume?

Market breadth is monitored by looking at the number of advancing issues minus the number of declining issues. Put call data is provided by the individual exchanges. We look at the equity

only put call ratios, in addition to the put call ratios which include index option volume.

Q.How do you watch so many markets?

The majority of the time, we watch a quote board which gives us last price instead of watching charts on each individual market. This way we can monitor numerous price levels in addition to

various market indexes and market internal indicator. If we want to look at the charts on a particular market, we pull up a screen that has the 30, 60 and 120-minute time frames. The SP's and

occasionally the bonds are the only markets we consider worthwhile to day-trade. Most other positions are entered with the intent of carrying a winning position over night.

Q.Why do you look at so many stocks when you aren't trading them?

Stocks that are market leaders can often turn before the stock index futures do, especially when they are higher beta momentum stocks. Monitoring individual sectors and relative strength can

add valuable information regarding the overall technical condition of the market.

Q.What size account is appropriate to trade?

We feel that it is up to each individual to assess their overall risk profile and know their individual net worth before determining proper account size. Our service is for educational purposes and

can provide a valuable educational forum regardless of account size. However, as a general guideline, it is possible to trade the SP E-mini contract with \$5,000. It is advisable to have a

minimum account size of \$20,000 before trading a SP futures contract. We feel that keeping leverage low is a key to good money management.

CHAT PAGE PROTOCOL

We try to schedule classes twice a month. If you can technical questions that can wait until a scheduled class, please note them down. We request that you do not ask any questions during the morning.

The best avenue for us is if you e-mail any questions to us and then we can answer them after the market is closed/

Please do not go private during the morning, and please do not go private when the markets are active.

Please do not ask us about our account size or trading size. These matters are totally irrelevant to your own trading. We work hard to look for setups in markets that can accommodate size. We consider liquidity conditions to be one of the more important issues in trade execution.

Please do not ask us questions about why we do or do not take a trade.

Please do not ask for consultation on an individual trade.